

Luxembourg, 3 November 2023

## Snapshot

1. On 23 October 2023, the Council of the European Union (EU) has finally adopted the Regulation on European Green Bonds and optional disclosures for bonds marketed as environmentally sustainable and for sustainability-linked bonds (the “**Regulation**”).
2. There are no changes to the previously adopted text by the European Parliament. A summary of some of the most controversial key points of the Regulation is provided below.
3. Although there is still no final version of the text (it still needs to be formally signed), the adopted text is available [here](#).

## What has been agreed

1. The Regulation lays down the foundation for a common voluntary framework that bond issuers, whether within or outside the EU, need to follow if they want to make bonds available to investors in the European Economic Area using the “European Green Bond” (“**EuGB**”) designation.

### a. Voluntary nature

- i. The Regulation provides for a voluntary label available to any issuer who wishes to use the designation “European Green Bond” or “EuGB” (assuming compliance with the requirements of the Regulation). However, the EuGB designation shall only be used for bonds for which the issuer has prepared and published a prospectus in accordance with the EU Prospectus Regulation. In this regard, only sovereign issuers are excepted.

**b. Transparency**

- i. Issuers of EuGBs that are subject to an obligation to publish non-financial information under the Accounting Directive, as amended by the Corporate Sustainability Reporting Directive, should have a transition plan in place pursuant to those provisions and indicate how their bond contributes to the funding and implementing of such plans. Such non-financial information shall be disclosed in the EuGB factsheet and annual allocation report or in the pre-issuance and post-issuance periodic disclosure templates.
- ii. To prevent greenwashing in the green bond market, the Regulation provides for voluntary disclosure requirements for other environmentally sustainable bonds and sustainability-linked bonds issued in the EU. Issuers using these voluntary disclosure requirements will subject themselves to ambitious transparency requirements and, as a result, benefit from more confidence among investors.

**c. External reviewers**

The Regulation establishes a registration system and supervisory framework for external reviewers of EuGB – the independent entities responsible for assessing whether standards are being adhered to. It also stipulates that any actual or potential conflicts of interest external reviewers may face are properly identified, eliminated or managed, and disclosed in a transparent manner.

**d. Flexibility on alignment with the EU Taxonomy**

The EuGB designation will be available for bonds with use of proceeds invested – at issuance or gradually – in economic activities aligned with the EU Taxonomy. Until the EU Taxonomy framework is fully up and running, issuers of a EuGB would need to ensure that at least 85% of the funds raised by the bond are allocated to economic activities that align with the EU's Taxonomy Regulation. The other 15% can be allocated to other economic activities provided the issuer complies with the requirements to clearly explain where this investment will go.

## Next Steps

1. After it is signed, the Regulation will be published in the EU's Official Journal, entering into force 20 days later. It will start applying 12 months after its entry into force.
2. There is currently no formal timeline or specific date regarding the publication in the EU's Official Journal. It will most likely depend on how long it takes to complete the necessary procedural steps, such as signing formalities and translation into all languages.

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